

STATE OF MAINE
PUBLIC UTILITIES COMMISSION

Docket No. 99-111

November 18, 1999

MAINE PUBLIC UTILITIES COMMISSION
Offer Bidding Procedure

ORDER DESIGNATING
STANDARD OFFER
PROVIDERS FOR MPS
SERVICE TERRITORY

WELCH, Chairman; NUGENT and DIAMOND, Commissioners

I. SUMMARY

In this Order, we designate standard offer providers and announce standard offer prices for customers in the service territory of Maine Public Service Company (MPS)

II. BACKGROUND

On October 25, 1999, we issued an order that provisionally designated standard offer providers for the MPS service territory. This designation was the result of a bid process that we conducted pursuant to 35-A M.R.S.A. § 3212 and Chapter 301 of our Rules. The Order included the identity of the winning bidders, each winning bidder's standard offer customer class share amount, and the standard offer prices for each class that would result from the bid process.

The October 25th Order stated that the designation of the standard offer providers and class shares would be subject to our review of the results of MPS's Chapter 307 auction of its non-divested generation asset (i.e., Wheelabrator-Sherman QF contract). We explained that such a review is necessary to ensure that final acceptance of the standard offer bids is in the public interest. Specifically, we indicated that, depending on the results of the Chapter 307 auction, it may be appropriate to consider whether ratepayers would be better off by the rejection of the Chapter 307 bids and the use of the output of the Wheelabrator-Sherman contract to serve a portion of the standard offer load. We sought comment on this issue and, specifically, on how we should analyze whether the difference in the standard offer bids and the Chapter 307 entitlement bids is so large that the public interest would be better served by using the entitlement output to serve a portion of standard offer load.

III. DISCUSSION

For the reasons discussed below, we designate WPS Energy Services, Inc. (WPS-ESI) and Energy Atlantic (EA) as standard offer providers for the MPS service territory. The designated providers by standard offer class, each provider's class share, and resulting standard offer prices are shown below (these final designations and prices are unchanged from the provisional designations and prices in the October 25th Order).

Class	Price	Provider(s)	Share
Residential/small non-residential	\$0.042906/kWh	WPS-ESI	100%
Medium non-residential	\$0.042549/kWh	WPS-ESI EA	80% 20%
Large non-residential	\$0.040038/kWh	WPS-ESI	100%

None of the comments received in response to our October 25th Order argued for or suggested that the Chapter 307 entitlement should be used to supply the standard offer in the MPS territory. Many commenters explained that a difference in the results of the two bid processes should be expected due to the differing nature of standard offer service and the Chapter 307 entitlement. However, commenters did not suggest a means to evaluate whether the bid price differences are so large that the Chapter 307 entitlement should be used to supply the standard offer.

We agree with the commenters that differences between the standard offer bids and the Chapter 307 bids should be expected, because they represent prices for different products. The standard offer is a retail, all-requirements service in which a provider must supply load in quantities and at costs that are likely to vary greatly throughout the day and the year. In addition, the provider has the risk of customers leaving and entering the standard offer service and must bear the costs of obtaining ancillary services associated with the standard offer load. In contrast, the Chapter 307 entitlement is for an essentially non-dispatchable, wholesale resource, which is not likely to include all of the ancillary products necessary to provide retail service. Finally, we note that designating a standard offer provider and selling the Chapter 307 entitlement avoids placing the market risk of standard offer service on ratepayers.

We also agree with commenters that it is very difficult to analytically determine when the differences in bid prices are so large as to warrant rejection of the bids. For this reason, the superior approach is to allow the markets to determine both the price for standard offer service and the price for the non-divested generation assets. The results should be rejected only when there is a clear demonstration that, as a result of a market failure, the process did not produce reasonable bid prices. Because there is no such indication that this occurred with either bid process in the MPS service territory, we will not direct that the Chapter 307 entitlements be used for the standard offer, and therefore we designate the standard offer providers as stated above.

Both WPS-ESI and EA are properly licensed by the Commission to provide standard offer service. Consistent with our standard offer request for bids, WPS-ESI and EA must execute the standard offer contract with MPS and furnish the required financial security instrument within two weeks of the date of this Order.

Dated at Augusta, Maine, this 18th day of November, 1999.

BY ORDER OF THE COMMISSION

Dennis L. Keschl
Administrative Director

COMMISSIONERS VOTING FOR: Welch
 Nugent
 Diamond

NOTICE OF RIGHTS TO REVIEW OR APPEAL

5 M.R.S.A. § 9061 requires the Public Utilities Commission to give each party to an adjudicatory proceeding written notice of the party's rights to review or appeal of its decision made at the conclusion of the adjudicatory proceeding. The methods of review or appeal of PUC decisions at the conclusion of an adjudicatory proceeding are as follows:

1. Reconsideration of the Commission's Order may be requested under Section 1004 of the Commission's Rules of Practice and Procedure (65-407 C.M.R.110) within 20 days of the date of the Order by filing a petition with the Commission stating the grounds upon which reconsideration is sought.
2. Appeal of a final decision of the Commission may be taken to the Law Court by filing, within 30 days of the date of the Order, a Notice of Appeal with the Administrative Director of the Commission, pursuant to 35-A M.R.S.A. § 1320(1)-(4) and the Maine Rules of Civil Procedure, Rule 73, et seq.
3. Additional court review of constitutional issues or issues involving the justness or reasonableness of rates may be had by the filing of an appeal with the Law Court, pursuant to 35-A M.R.S.A. § 1320(5).

Note: The attachment of this Notice to a document does not indicate the Commission's view that the particular document may be subject to review or appeal. Similarly, the failure of the Commission to attach a copy of this Notice to a document does not indicate the Commission's view that the document is not subject to review or appeal.